

	Per Arlington Public Utilities Commission, Hammond	Per staff
	Thousands	
Operating revenues	\$170,937	\$170,937,562
Operating expenses	65,716	65,715,858
Depreciation	19,871	19,870,968
Taxes, other than Federal income	13,876	13,875,773
Federal income taxes:		
Income tax currently payable	22,931	22,931,122
Deferred:		
Liberalized depreciation	0	2,130,000
Guideline lives and rules	0	627,000
Investment tax credit	0	1,803,000
Accelerated amortization—Net	1,657	1,687,073
Total operating revenue deductions	124,081	128,730,794
Net operating income	46,856	42,206,768
Add interest during construction	3,310	3,309,762
Deduct charitable donations (estimated)	139	0
Adjusted net operating income	50,016	45,516,530
Rate of return (percent)	6.99	6.36

NOTE.—Arlington Public Utilities Commission, Hammond, in thousands; staff in hundreds.  
Source: SCC accounting division Oct. 23, 1963.

#### EXHIBIT B

#### VIRGINIA ELECTRIC & POWER CO. RATE OF RETURN, 1962, ELECTRIC DEPARTMENT SCC STAFF AND ARLINGTON PUC STUDY COMPARED Rate base

SCC staff \$715,816,497  
Arlington PUC (in thousands) 716,946

The principal difference is in the exclusion by SCC staff of contributions in aid of construction (\$1,268,235). Other minor differences account for the net difference of \$1,150,000. The Arlington figures used as a benchmark the 1953 rate case in which contributions in aid of construction were not excluded. In any rate case, however, the exclusion would be advocated.

#### Operating revenues, operating expenses

Federal income taxes currently payable, no differences.

Federal income taxes deferred—Liberalized depreciation

SCC \$2,130,000  
Arlington PUC 0

The amount included by SCC was not included as a tax by the company in its annual report to stockholders. The amount represents a normalization of Federal income tax

to the extent that less taxes are actually paid in a given year due to the fact that for tax purposes the company uses the double declining balance method of computing depreciation, while in its accounts straight-line depreciation is used, based on the life expectancy of the facilities. The amount shown by SCC is the amount of taxes saved by using this method, which the SCC has included as expense for the purpose of its study. This subject was not treated in the 1953 rate case. Rapid amortization was treated in 1953 in the same manner as the SCC used in the recent study. In 1953, and subsequently, the company accumulated the amounts saved in a reserve account. There is presently \$36,215,000 in the reserve account (eligible and used for such corporate purposes as expanding plant). If the plant built from these funds were to earn a 6 percent return, the annual earnings from this capital (not advanced by the stockholders) would be \$2,172,900. SCC's treatment apparently does not involve consideration of these sums as reserves.

Federal income tax deferred—Guideline lives and rules

SCC \$627,000  
Arlington PUC 0

The amount included by SCC was not included as a tax by the company in its annual report to stockholders. It represents the 1962 tax saving achieved by the company through the use of "guideline lives and rules." The SCC treatment would allow, as expense, a greater amount for taxes than was actually paid.

Federal income taxes deferred—Investment tax credit

SCC \$1,893,000  
Arlington PUC 0

The company, in filing its 1962 Federal income tax return, was allowed to deduct this amount from the total tax due. Its tax liability, therefore, was this much less. The

credit is related to the increased investment in the case of facilities with life expectancies in excess of 3 years and 2 percent and 1 percent in the case of shorter life expectancies. Regulatory treatment has not been determined for most jurisdictions as yet, although FCC appears to have decided that the full amount of the investment tax credit should be brought down to net income. The apparent fact is however, that the U.S. Government has invested the full amount of the credit in the company. The only requirement of the Government is that no depreciation be charged for the facilities so acquired.

#### EXHIBIT C

Virginia Electric & Power Co.—Rate of return based on SCC accounting division methods, 12-month periods ending Nov. 30, 1962, Dec. 31, 1962, Sept. 30, 1963

(In thousands)

	Nov. 30, 1962	Dec. 31, 1962	Sept. 30, 1963
Electric, gas and miscellaneous plant	\$855,640	\$860,136	\$917,265
Reserves, depreciation	129,579	130,817	144,031
Subtotal	726,061	729,319	773,234
Less contributions in aid of construction	1,314	1,321	1,415
Net utility plant	724,747	727,998	771,819
Cash working capital, 40 days	8,130	8,228	8,700
Materials and supplies	11,966	12,209	12,308
Rate base, end of period	744,873	748,435	792,825
Operating revenues	184,950	186,082	194,974
Operating expenses	62,836	63,569	66,607
Maintenance	11,317	11,391	11,331
Depreciation	20,523	20,652	22,047
Federal income tax, current	24,800	24,490	25,964
Deferred:			
Liberalized depreciation	11,932	2,200	4,962
Guideline lives	723	789	4,727
Investment tax credit	1,793	1,865	4,143
Accelerated amortization, net	1,863	1,697	451
Other taxes	14,743	14,876	16,134
Total operating expenses	140,550	141,627	148,366
Net operating revenues	44,400	44,456	46,608
Add interest charged to construction	3,397	3,347	2,048
Adjusted net operating income	47,797	47,802	48,656
Rate of return (percent)	6.42	6.39	6.13

1 For 1961,  $\frac{1}{2} \times \$1,200,000$ ; for 1962,  $\frac{1}{2} \times \$2,200,000$ .

2 For 1962,  $\frac{1}{2} \times \$789,000$ .

3 For 1962,  $\frac{1}{2} \times \$1,955,000$ .

4 Based on  $\frac{1}{2}$  1963 total and  $\frac{1}{2}$  1962 total.

NOTE.—The purpose of this summary is to reflect trend of rate of earnings since Dec. 1, 1962 rate adjustment.

Source: Arlington Public Utilities Commission, Nov. 5, 1963.

## EXHIBIT D

*Veeco rate of return, adjusted, using SCC method for results of operations and adjusting rate base for plant provided by tax reserves*

[12-month period ended Dec. 31, 1962, in thousands]

System rate base Dec. 31, 1962, SCC basis..... \$748,435

## Adjustments:

Reserve, future taxes—Amortization <sup>1</sup> .....	36,215
Investment tax credit <sup>2</sup> .....	1,955
Reserve—Liberalized depreciation <sup>3</sup> .....	4,129
Reserve—Guideline lives <sup>4</sup> .....	789

Total..... 43,088

Adjusted rate base..... 705,347

Net operating income, adjusted (SCC basis) (from exhibit C., col. 2)..... 47,802

Adjusted rate of return (percent)..... 6.88

<sup>1</sup> Per balance sheet Dec. 31, 1962.

<sup>2</sup> Per balance sheet Dec. 31, 1962.

<sup>3</sup> 1960, \$720,000; 1961, \$1,200,000; 1962, \$2,209,000.

<sup>4</sup> 1962, \$789,000.

## EXHIBIT E

*Veeco rate of return, adjusted, using SCC methods for results of operations and adjusting rate base for plant provided by tax reserves*

[12-month period ended Sept. 30, 1963, in thousands]

System rate base, Sept. 30, 1963, SCC basis..... \$792,885

## Adjustments:

Reserve, future taxes—Amortization <sup>1</sup> .....	36,495
Investment tax credit <sup>2</sup> .....	3,691
Reserve—Liberalized depreciation <sup>3</sup> .....	5,862
Reserve—Guideline lives <sup>4</sup> .....	1,391

Total..... 47,439

Adjusted rate base..... 745,446

Net operating income, adjusted (SCC basis) (from exhibit C., col. 3)..... 48,656

Adjusted rate of return (percent)..... 6.53

<sup>1</sup> Per balance sheet, Sept. 30, 1963.

<sup>2</sup> Per balance sheet, Sept. 30, 1963.

<sup>3</sup> 1960, \$720,000; 1961, \$1,200,000; 1962, \$2,209,000; 1963, (9 months), \$1,733,000.

<sup>4</sup> 1962, \$789,000; 1963 (9 months), \$592,000.

## LARD TRADE WITH CUBA

Mr. KEATING. Mr. President, it is with shock and incredulity that American citizens learned that negotiations are underway for the direct sale of a large shipment of U.S. lard to Communist Cuba.

Mr. President, such an action would be directly contrary to the whole direction of U.S. policy toward Cuba. A large agricultural sale to Castro would completely undermine whatever position the United States sought to establish in preventing increased West European trade with Castro.

Mr. President, when the wheat sale to the Soviet Union was licensed—and a license was required in that case because

wheat was a subsidized product—it was specifically provided that none of the wheat could go to Cuba. To turn around and sell lard directly to Cuba would make a parody of our whole policy effort directed at an economic boycott of Cuba.

Mr. President, I am aware of the fact that under present regulations as drawn up by the Department of Commerce there is no requirement for licensing of edible fats and oils for sale overseas, except to such nations as Communist China, North Korea and North Vietnam which have traditionally been dealt with in a different manner. However, Mr. President, there is very clearly authority in the broad terms of the Export Control Act of 1949 to require licensing or any other kind of regulation where necessary "to further the foreign policy of the United States and to aid in fulfilling its international responsibilities."

In the case of Communist China, North Korea and North Vietnam an export license is required for all trade whatsoever, and none is permitted except under unusual circumstances, for example to foreign embassies within Red China.

Mr. President, it is my view Communist Cuba should be under the same kind of trade restrictions as Red China. In other words, all shipments should require a validated license.

The fact of the matter is that a large agriculture sale to Cuba has a significant impact upon the foreign policy and international interests of the United States. Longshoremen unions were criticized in many quarters for refusing to load shipments of wheat to the Soviet Union because it was said that this refusal constituted private intervention in foreign policy. There can be no question that a large and direct sale to Communist Cuba is just as much an intervention in foreign policy. We can certainly imagine what the British will say about this.

Mr. President, it seems at times that the right hand of our Government has no notion whatsoever what the left hand is doing, or a more conscientious effort would have been made to bring U.S. trade with Cuba under adequate control. Ironically, President Betancourt of Venezuela has several times warned that his country is considering a boycott of shipments from nations which engage in trade with Cuba. Venezuela has felt the direct attack of Cuban-trained terrorists, and is determined to take firm action. What a farce it would be if the Venezuelan Government had to impose sanctions against the United States as well as West European countries for trade with Cuba.

We must not permit our own businessmen to lead the way in overcoming Government policy. And our Government officials must manifest more awareness over private activities that will have an immediate and detrimental effect on foreign policy. How, indeed, can we cut off foreign aid to our allies for their trade with Cuba when our own merchants are doing exactly the same thing?

Mr. President, the Department of Commerce under the Export Control Act

has full authority to lay down regulations regarding exports to any country in the world. Immediately, action should be taken to place Cuba in the same category as Communist China, North Korea and North Vietnam. Every shipment of any kind to Cuba should require a validated export license so that our Government can maintain full control over a vital area of foreign policy.

## THE U.S. BALANCE-OF-PAYMENTS DEFICIT CONTINUES

Mr. JAVITS. Mr. President, on a number of occasions I have called to the attention of the Senate the situation concerning our balance of payments with the world. I should now like to speak again briefly about this issue which is one of the most critical indices of our financial and monetary situation and our credit standing, and one of those which has caused the greatest worry to our authorities in the Treasury and to the President of the United States—and quite justly, as there are tremendous calls upon us far exceeding our gold stock by the other central banks in the world which are dependent upon the credit of the United States.

Despite the numerous steps taken by the administration thus far to deal with the continued deficit in our balance of payments, the overall success has been rather small. Our gold stock declined by another \$461 million in 1963, so that at the end of that year it amounted to \$15,596 million, the lowest level in our postwar history. The U.S. balance-of-payments deficit for 1963 remained at \$3,020 million, below the \$3,573 million deficit of 1962, but only slightly under \$3,043 million in 1961, despite the Administration's claim that the series of measures it has put into effect is bringing this critical problem under control.

I am more convinced today than ever before that the United States must take leadership in world monetary reform, if we are to find a fundamental solution to this problem.

As I stated in my remarks here last September, the U.S. balance-of-payments deficit cannot be solved unless we seek a basic solution. Such a basic solution clearly involves the modernization of the international monetary system. While the United States must clearly exert itself to do all it can to bring its financial house in order, the U.S. balance-of-payments deficit cannot be isolated from the system of which it is but a part, even if a major part.

The outcome of the current study of the international monetary system by the 10-nation OECD "Paris Club" and by the IMF is therefore of crucial significance. Their failure to draw meaningful lessons from recent developments and to recommend the modernization of the system would, in my view, have serious consequences not only for the United States but the Western World as a whole, each member of which greatly depends for its continued growth on the stimulative effects of this system.

What is the administration doing to cope with this problem? It is continuing the export expansion program, the